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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 9495
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 001025

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STATE FOR NEA/ARP, EEB/ESC/IEC, ENERGY FOR MWILLIAMSON

E.O. 12958: DECL: 06/30/2017

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SUBJECT: MINISTER OF FINANCE ON CABINET RESIGNATIONS, THE BUDGET, AND TIP

REF: KUWAIT 989

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d).

¶1. (C/NF) Summary: During a June 30 farewell call with the Ambassador, Minister of Finance Bader Meshari Al-Humaidhi said resignations of both the Minister of Oil and the Minister of Communication were imminent (these occurred later in the day). He was optimistic that Parliament will pass long-pending legislation on the Public Private Partnership Initiative, also known as BOT, next week. He said stalled tax reforms were his second legislative priority. Al-Humaidhi relayed that the GOK will finalize its budget next week and is expecting a surplus of KD 5 billion (USD 17.5 billion). He also asked about the primary reason for Kuwait's Tier 3 ranking in Trafficking in Persons. The Ambassador cited treatment of domestic employees as a key concern, encouraging the GOK to seize this opportunity to make necessary changes. The Ambassador urged the GOK to tighten restrictions on the flow of illicit funds out of the country. End summary.

Days Numbered for Ministers of Oil and Communications

¶2. (C/NF) Al-Humaidhi told the Ambassador that Minister of Oil Shaykh Ali Jarrah Sabah Al-Sabah would not survive the June 25 no confidence motion (ref A). He explained that a compromise solution shifting the Minister to another portfolio would likely be rejected by the Islamic bloc leading the charge for the Minister's resignation. Minister of Electricity and Water Mohammed Abdulla Al-Elaim will take over the portfolio in addition to his other duties (comment: mostly likely on an acting basis), said Al-Humaidhi, noting that he was also considered for the position but "has no time."

¶3. (C/NF) Al-Humaidhi recently spoke with Minister of Communications and Minister of State for National Assembly Affairs Shireeda Abdullah Saad Al-Mousherji and confirmed that Al-Mousherji has indeed submitted his resignation and has "no intention of coming back." Al-Mousherji, a member of the Islamic bloc that lead the drive against the Minister of Oil (ref A), joined the Cabinet to represent Islamists in future government actions. According to Al-Humaidhi, Al-Mousherji now feels that his membership in the government is contradictory to his previous alliances and has decided that he can no longer wear both hats.

Three Ministers Out In Six Months,
Al-Humaidhi: "This Cannot Continue"

¶4. (C/NF) Al-Humaidhi noted that the Islamists are also aiming their sights on other ministers, including the Minister of Awqaf and himself. "This is 'democracy,'" he said, "but this is not working and has not worked for us for the last few years." Since Liberation, he noted that there have been 14 ministers of Commerce and 6 ministers of Finance. Despite these continuing difficulties, he forecast that there will be no dissolution of Parliament this summer. In the last six months, three ministers have announced their resignations, two of whom were members of the ruling family. He stressed, however, that the Amir must take a strong stand in October when Parliament resumes as "this cannot continue." He said the Amir would likely make a harsh speech at the opening of Parliament.

Mixed Forecast for Pending Legislation

¶5. (C/NF) Al-Humaidhi said that pending legislation on the terms for Public Private Partnership, another name for Build-Operate-Transfer or BOT, will be discussed by Parliament next week. He is confident that it will be approved despite some opposition. Al-Humaidhi said passing a new tax law was his second priority.

Crack Down on Illicit Money

¶6. (C/NF) The Ambassador cited combating illicit money flows as another area where more progress could be made, particularly in light of information indicating the continued funding of terrorist operations outside of Kuwait. Al-Humaidhi asked that the U.S. provide specific information if we have it. "It is very hard to control this," he

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continued, "but give us information and we will act." The Minister noted the recent arrest of terrorist facilitator Jaber Al-Jalahmah, a move the Ambassador applauded.

Budget Surpluses Continue

¶7. (C/NF) The GOK will finalize its 2006-2007 budget next week. Unofficial estimates indicate revenues of approximately KD 15 billion (USD 52.5 billion) and expenditures of approximately KD 10 billion (USD 35 billion), resulting in a budget surplus of KD 5 billion (USD 17.5 billion). Education will be one beneficiary of this surplus, said Al-Humaidhi, describing a program designed to replace paper and books with a laptop for every student. He identified spending as an area of continued concern and said he would like to see a cut in the government salary bill, but that is not an option.

TIP: Why is Kuwait Tier 3?

¶8. (C/NF) Al-Humaidhi was curious about Kuwait's Tier 3 ranking in the recently released Trafficking in Persons Report, as he described conditions in Kuwait as among the best in the GCC. The Ambassador noted that one of the principle factors in the final determination were concerns regarding conditions for domestic employees working in Kuwait.

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LeBaron